1. Under item 10(1) of the Council's agenda, the Committee had before it the following documents dealing with support cost flexibility matters: Support Costs and Related Questions (DP/473 and Corr.1); and a request by the International Telecommunication Union (ITU) for additional support costs reimbursement for 1979 (DP/502).

2. Introducing the item, the Director of Finance, reported that the level of flexibility paid in 1979 to Agencies, whose project implementation was less than $10 million, was some $800,000 less than had been projected because their actual programme expenditures, on which 14 per cent regular support costs were paid, had been substantially higher than originally projected by these Agencies. UNCTAD, moreover had not used its projected allocation, since its expenditures were in excess of $10 million in 1979. The Director stated, however, that that Agency wished to draw the attention of the Committee to its difficulties in living within the 14 per cent figure. Although UNCTAD would not present a special claim at this time; it hoped that the Council in 1981 would be favourably disposed should difficulties related to support costs arise in connexion with its programme implementation in 1980.

3. As regards the request for reimbursement of additional support costs from ITU in the amount of up to $629,637, the Director said that similar requests has been received from ITU in most years since 1973 and the Administrator was again seeking the Council's guidance.
Summary of the discussion in the Committee

4. One member, referring to the tables in document DP/473, enquired as to why there had been a substantial increase in the percentage of support costs to project expenditures projected for 1980 as compared with the actual percentage for 1979. Another member enquired as to why ITU expenditures were reported exclusively in Swiss Francs. The same member enquired as to why the ITU request had not been accompanied by comments of the Administrator.

Initial response of the Administration

5. The Deputy Administrator indicated that the ITU request would be further reviewed by UNDP and that the Committee would be provided with the results of that review. In reply to the question on the percentage increase for flexibility support costs for 1980 over 1979, the Director of Finance replied that this increase was due primarily to two factors: (a) the deletion of UNCTAD from the 1980 projections; and (b) general inflationary trends with respect to the support costs for equipment, salaries and other items of expenditure.

6. Responding to the question on why expenditures by ITU were reported exclusively in Swiss Francs, the representative of ITU indicated that its Technical Co-operation Department was in Geneva and that expenditures were paid in Swiss Francs, irrespective of the currency ultimately used to purchase the project components.

Decision on DP/473

7. At the suggestion of the Chairman, the Committee took note of the arrangements proposed by the Administrator in paragraph 9 of DP/473.

Further response of the Administration

8. The Deputy Administrator stated that the Administrator had reviewed the request of ITU and had determined that the claim made was correct; because of fluctuations in the rate of exchange between the US dollar and the Swiss Franc, the value of support costs recovered in dollars was not sufficient to pay for the actual costs incurred by ITU when translated into Swiss Francs. The presentation of this view to the Committee, however, did not imply that the Administration was commenting on the principle involved. He further suggested that the amount of the shortfall in Swiss Francs should be used as the basis for considering the supplementary payments.
Summary of further discussion and response

9. One member recalled to the Committee that regardless of the basis of the claim, Governing Council decisions were to be expressed in US dollars. Another member underscored his delegation's view that DP/502 did not put forward sufficient justification for reimbursing ITU on a "special case" basis in relation to other Agencies based in Geneva. UNCTAD, for example, was having similar difficulties but had indicated its intention to stay within the existing support costs policies. He said that he was uneasy with the situation in which the Committee took exceptional decisions every year, particularly at a moment when the inter-governmental Working Group on Support Costs was trying to determine long-term policy. (With regard to this latter point, the Chairman pointed out that the discussions of that Group were to define future policy and would not be applied to 1978 and 1979 flexibility support costs). One member noted that if ITU's costs had increased, so had others. It was further noted that ILO, which had received special assistance in 1979, had chosen not to renew its request.

10. At the request of the Chairman, the representative of ITU reviewed for the Committee the figures on increases in programme delivery and in support costs, respectively, between 1974 and 1979. He underscored the steps which had been taken to greatly improve ITU's efficiency and to raise delivery. In reply to a query, he indicated that the exchange rate which had been used in presenting ITU's case was the average for 1979: 1.67 Swiss Francs to one US dollar, which also happened to be the present exchange rate.

11. Several other members said that because of the nature of ITU's activities and the high rate of increase in ITU project implementation in recent years, the Agency, in their view, had presented evidence of special need. They further pointed out that this decision would be in line with past practice.

Decision on DP/502

12. The discussion concluded with consensus on acceding to ITU's request provided that, if any similar request were presented in the future, it should be accompanied by additional justification from the Agency. It was further decided to fix the reimbursement amount at not to exceed US $629,637 as shown in DP/502, subject to such exchange rate adjustments as may be determined by the Administrator.